

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 COME-00 EB-11 LAB-06 SIL-01 DRC-01 /122 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6939

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 00367

E.O. 11652: GDS

TAGS: UK, PINT

SUBJECT: LIBERAL MAGIC STARTS TO FADE

1. SUMMARY: JUST TWO MONTHS AFTER ITS FIFTH BY-ELECTION TRIUMPH, THE LIBERAL PARTY'S ATTRACTIVENESS AS AN ALTERNATIVE TO THE TWO MAJOR PARTIES HAS SUDDENLY BEGUN TO FADE. IT HAS FAILED TO SPEAK OUT EFFECTIVELY DURING THE CURRENT CRISIS, AND SOME OF ITS MOST PROMINENT PERSONALITIES HAVE FALLEN TO SQUABBLING IN PUBLIC. MUCH OF THE BLAME FOR ITS SORRY SHOWING MUST BE PLACED ON ITS LEADER, JEREMY THORPE. END SUMMARY

2. THINGS HAVE GONE SERIOUSLY SOUR FOR THE LIBERAL PARTY. AT A TIME WHEN THE GOVERNMENT OF THE DAY IS BESET BY MONUMENTAL ECONOMIC DIFFICULTIES AND THE

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MAIN OPPOSITION PARTY IS DIVIDED AND DISCREDITED, THE

LIBERALS SHOULD BE OUT BEATING THE DRUMS FOR THEIR OWN SOLUTIONS TO BRITAIN'S PROBLEMS. INSTEAD THEY HAVE REMAINED LARGELY SILENT, MOST NOTABLY ON THE CRITICAL ISSUE OF HOW THE GOVERNMENT SHOULD DEAL WITH THE MINERS AND THE RAILWAYMEN. THIS SILENCE IS ALL THE MORE DISAPPOINTING WHEN ONE CONSIDERS THAT THEY HAVE BILLED INDUSTRIAL RELATIONS AS THE CENTERPIECE OF THEIR POLICY PROGRAM. IT WAS PRECISELY IN THIS FIELD, BECAUSE THE LIBERAL PARTY IS BEHOLDEN TO NEITHER CAPITAL OR LABOR, THAT THEY PROMISED TO OFFER THE ELECTORATE A REAL ALTERNATIVE POLICY THAT WOULD PLACE THE NATIONAL INTEREST ABOVE ANY PARTICULAR GROUP INTEREST.

3. IT IS UNDERSTANDABLE, THEN, THAT CYRIL SMITH SHOULD HAVE WRITTEN TO JEREMY THORPE LAST WEEK CRITICIZING HIM FOR INACTION AND ASKING, IN EXASPERATION, "WHEN THE HELL ARE WE GOING TO DO SOMETHING?" WHAT IS LESS UNDERSTANDABLE, HOWEVER, IS WHY SMITH, THE PARTY'S SPOKESMAN ON INDUSTRIAL RELATIONS, DIDN'T DO SOMETHING HIMSELF, OR WHY HE CHOSE TO MAKE HIS CRITICISMS PUBLIC.

4. IN ANY EVENT, THORPE HANDLED THE MATTER INEPTLY. CONFRONTED WITH SMITH'S LETTER IMMEDIATELY UPON HIS RETURN FROM A TRIP TO THE UNITED STATES, HE ESSAYED AN INSTANT DEFENSE OF HIMSELF AND INJUDICIOUSLY REFERRED TO SMITH AS A "SILLY ASS." HE ALSO OFFENDED TREVOR JONES, THE PARTY'S MOST TALENTED VOTE-GETTER, BY CRITICIZING HIM FOR SOMETHING HE DIDN'T SAY, THEREBY PROMPTING JONES TO WRITE A LETTER TO THE GUARDIAN. PETER HAIN, FORMER PRESIDENT OF THE YOUNG LIBERALS AND NOW A MEMBER OF THE PARTY'S NATIONAL EXECUTIVE, ALSO WROTE TO THE GUARDIAN, ATTACKING THORPE'S LEADERSHIP IN EVEN MORE SWEEPING TERMS THAN SMITH DID.

5. ALL THIS UNSEEMLY PUBLIC SQUABBLING IS BUT THE VISIBLE EVIDENCE OF A MORE WIDESPREAD UNHAPPINESS WITH THORPE AMONG MANY RANK-AND-FILE LIBERALS. TWO MONTHS AGO, THORPE RECEIVED CONSIDERABLE UNFAVORABLE PUBLICITY WHEN A BANKING COMPANY, OF WHICH HE WAS A NON-EXECUTIVE

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DIRECTOR, NEARLY WENT BANKRUPT. THE COMPANY HAD ENGAGED IN SOME QUESTIONABLE PRACTICES, AND ALTHOUGH NO EVIDENCE WAS PRODUCED OF ANY WRONGDOING BY THORPE PERSONALLY, SOME OF THE MUD STUCK. HE SUBSEQUENTLY RESIGNED ALL HIS DIRECTORSHIPS, NOT JUST IN THIS COMPANY, BUT IN FIVE OTHERS AS WELL, AT A CONSIDERABLE LOSS OF PERSONAL INCOME. HE DID SO, WE ARE RELIABLY INFORMED, IN DEFERENCE TO AN ULTIMATUM FROM HIS LIBERAL

COLLEAGUES IN PARLIAMENT. WE ARE ALSO INFORMED THAT  
CYRIL SMITH IS PRESSING FOR A FULL PARTY INVESTIGATION  
INTO ALL OF THORPE'S FINANCIAL DEALINGS. IF, AS SEEMS  
LIKELY, THESE PERSONAL PREOCCUPATIONS ACCOUNT FOR THE  
SUDDEN PARALYSIS OF THORPE'S LEADERSHIP, THEY COULD  
NOT HAVE COME AT A WORSE TIME FOR THE PARTY.  
SOHM

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